NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (2/21):
BUTTER: Grade AA closed at $1.0000. The weekly average for Grade AA is $1.0150 (-.0483).
CHEESE: Barrels closed at $1.0350 and blocks at $1.0200. The weekly average for barrels is $1.0413 (-.0067) and blocks, $1.0563 (-.0817).
NONFAT DRY MILK: Extra Grade closed at $0.8900 and Grade A at $0.8900. The weekly average for Extra Grade is $0.8900 (N.C.) and Grade A, $0.8900 (N.C.).

BUTTER: Butter markets remain weak as the cash price dipped under the support price at midweek. Churning schedules across the country remain very active as cream supplies continue to be reported as readily available. The snowstorm of this past weekend up and down the Eastern corridor did disrupt milk and cream movement. In most instances, truck were stranded or idled until conditions improved. Cream shipments out of the region were limited early in the week, but were returning to more normal schedules at midweek. Overall buying interest from food service and retail buyers remains fair at best. Most buyers continue to work from low inventories and place smaller orders more often. At this point, most producers and handlers are willing to work with buyers to clear heavier than desired inventories any way they can. Again during the week, bulk butter was offered to CCC from Western producers. Other producers across the country indicate that if the cash price remains under $1.05, it will not be too long before other regions of the country offer butter to the government.

CHEESE: The cheese market remains weak. Ample cheese volumes continue to be offered to a lackluster, generally fair at best demand. Some sellers are discounting prices to stimulate sales. Many buyers feel that prices are unlikely to firm appreciably anytime soon. Under grade volumes are accumulating for some firms. Current market prices are well below the comparable CCC purchase prices. During the week ending February 21, CCC purchased 356,400 pounds of Midwestern process and 43,527 pounds of Western barrel cheese under the price support program. Current cheese production continues to run well above year ago levels at most plants.

FLUID MILK: Milk production is increasing with the heaviest volumes appearing in the Southern and Western areas of the nation. A major winter storm in the East caused havoc with fluid milk shipping schedules and deliveries. Class I demand is generally light with some spot interest noted in areas where storms or retail activity encourage movement. Milk movement into manufacturing is strong, encouraging building supplies of cheese and butter. Condensed skim production is steady to higher due to increased milk supplies available. Some Eastern buyers were shorted condensed skim during the week due to winter weather shipping problems. Consequently, condensed skim intakes at some drying facilities increased. The fluid cream market is weak. Cream demand into some ice cream facilities is lower, encouraging heavy clearances to churns.

DRY PRODUCTS: NDM prices are mixed yet markets continue to trend weak with excess production readily clearing into the CCC. Buttermilk production is increasing with heavy churn activity. The market tone is steady to weak on light offerings. Whey markets are generally unchanged in the Central and East while discounting continues to be noted in the West. Stocks are heavy and building in the West but mostly in balance in the rest of the nation. The WPC market is reported as "flat." Production is steady and supplies are mixed for the mostly contractual interest. The lactose market is firm with foreign interest noted from Asia, the Netherlands and New Zealand.

CCC: For the week of February 17 – 21, CCC purchased 380,780 pounds of Western butter, 356,400 pounds of Central process cheese, 43,527 pounds of Western barrel cheese, and 15,984,407 net pounds of NDM. Of the NDM net total, 1,025,083 pounds were from the Central region and 14,959,324 pounds from the West.

JANUARY MILK PRODUCTION (NASS): Milk production in the 20 major States during January totaled 12.5 billion pounds, up 1.8% from January 2002. December revised production, at 12.3 billion pounds, was up 1.6% from December 2001. The December revision represented an increase of 0.6% or 70 million pounds from last month's preliminary production estimate. Production per cow averaged 1,608 pounds for January, 17 (1.1%) pounds above January 2002. The number of cows on farms was 7.81 million head, 56,000 head more (0.7%) than January 2002, and 4,000 head more than December 2002.

DAIRY SITUATION AND OUTLOOK (ERS): During 2001-2002, strong heifer demand generated soaring prices for replacement heifers. By the end of 2002, heifer supplies were in better balance. On January 1, 2003, farmers held 4.1 million dairy replacement heifers, up 1% from the previous 2 years. Replacement cow prices during this month were near the levels seen in 1999 or 2000. Replacement prices may ease in the next few months as increased dairy farm exits are expected in response to the lower milk prices reported.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for March 2003 is $9.81, $0.42 lower than last month. This price is derived from the advanced Class IV skim milk pricing factor of $6.04 and the advanced butterfat pricing factor of $1.1374 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for March is $6.74 and the Class II nonfat solids price is $0.7489 per pound. The following are the two-week product price averages: butter $1.0477, nonfat dry milk $0.8108, cheese $1.1304, and dry whey $0.1641.

JANUARY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During January, about 10.8 billion pounds of milk were received from producers. This volume of milk is 0.5% lower than the January 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +0.7%.) About 4.1 billion pounds of producer milk were used in Class I products, 1.3% higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilizations were; Class I = 38%, Class II = 9%, Class III = 44%, and Class IV = 9%. The weighted average statistical uniform price was $11.39, $0.02 lower than last month, and $1.79 lower than last year.

****SPECIAL THIS ISSUE****

CHICAGO MERCANTILE EXCHANGE
CASH TRADING

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY FEBRUARY 17	TUESDAY FEBRUARY 18	WEDNESDAY FEBRUARY 19	THURSDAY FEBRUARY 20	FRIDAY FEBRUARY 21	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	NO	$1.0450 (N.C.)	$1.0450 (N.C.)	$1.0400 (-.0050)	$1.0350 (-.0050)	(-.0100)	$1.0413 (-.0067)
40# BLOCKS	TRADING	$1.0800 (+.0025)	$1.0500 (-.0300)	$1.0750 (+.0250)	$1.0200 (-.0550)	(-.0575)	$1.0563 (-.0817)
BUTTER GRADE AA	CLOSED	----	$1.0300 (-.0300)	----	$1.0000 (-.0300)	(-.0600)	$1.0150 (-.0483)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **(NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is $.8900 and Grade A price is $.8900. NDM information remains available at the above internet address.)**

CHICAGO MERCANTILE EXCHANGE

MONDAY, FEBRUARY 17, 2003

HOLIDAY - NO TRADING

TUESDAY, FEBRUARY 18, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ $1.0800; OFFERS UNCOVERED: NONE

WEDNESDAY, FEBRUARY 19, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ $1.0500, 1 @ $1.1000
BUTTER — SALES: 3 CARS: 2 @ $1.0450, 1 @ $1.0300; BIDS UNFILLED: 1 CAR @ $1.0200; OFFERS UNCOVERED: 8 CARS: 1 @ $1.0300, 1 @ $1.0350, 1 @ $1.0400, 1 @ $1.0425, 1 @ $1.0500, 1 @ $1.0525, 1 @ $1.0550, 1 @ $1.0575

THURSDAY, FEBRUARY 20, 2003

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ $1.0500, 1 @ $1.0750; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ $1.0400

FRIDAY, FEBRUARY 21, 2003

CHEESE — SALES: 7 CARS 40# BLOCKS: 2 @ $1.0700, 1 @ $1.0550, 2 @ $1.0350, 2 @ $1.0200; BIDS UNFILLED: 1 CAR 40# BLOCKS @ $1.0000; OFFERS UNCOVERED: 1 CAR BARRELS @ $1.0350; 6 CARS 40# BLOCKS: 1 @ $1.0200, 1 @ $1.0250, 1 @ $1.0700, 1 @ $1.0725, 1 @ $1.0750, 1 @ $1.0900
BUTTER — SALES: 2 CARS: 1 @ $1.0000, 1 @ $0.9975; BIDS UNFILLED: 2 CARS: 1 @ $1.0000, 1 @ $0.9900; OFFERS UNCOVERED: 1 CAR @ $1.0400

BUTTER MARKETS

NORTHEAST

The market tone remains weak. The CME price has traded in a relatively narrow range since early January. Churning activity in the East remains heavy and cream supplies are still burdensome. This past weekend's storm did disrupt milk and cream movement as well as shutting down wholesalers up and down the Eastern corridor. As of Tuesday, many cities were still digging out from the blizzard. The road/ interstate highway closings are also delaying deliveries from Midwestern and local producers. Retail sales are slow and food service needs have slowed in the storm-affected areas. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

Butter markets remain weak as the cash price at midweek once again dipped below the support price of $1.05. Although the cash price has been below support in recent weeks, the current price of $1.03 is the lowest the cash price has been since November. Churning activity in the Midwest remains active, although cream offerings were not as heavy as recent weeks. Most of the down turn in cream offerings were from Eastern sources. The snowstorm over the weekend in the East was a logistical nightmare, thus virtually all over the road trucks were stranded or idled until conditions improved. By midweek, traffic was starting to move once again, although shipments to the Central region remain light. Production of butter continues to surpass demand. Some producers and handlers speculate that if the cash price remains under support, some surplus Central bulk butter might move to CCC. This would be the first Central clearance since June 1994. Commercial demand is slow. Most retail and food service buyers continue to place orders for short term use as long as prices remain relatively weak.. Bulk butter for spot sale would be available in a range of flat to 2 cents per pound over various pricing basis, but these sales are very light.

WEST

Butter prices at the CME are staying near the current support price of $1.05. Light volumes of butter continue to clear to the support program on a weekly basis from the Western region. Some discussion is beginning to take place for the upcoming Easter holiday. Some contacts assume that feature activity will be quite good since the prices are expected to remain near the support price for the near term. Both retail and food service orders are fair at best. The general economy is not helping sales activity much. Butter production remains very heavy. Cream is readily available and most of it is eventually entering churning facilities. Stocks of butter are also heavy. Most contacts don't see much upside price potential this spring. Weekly CME butter stocks increased by 5.75 million pounds this past week. Stocks now stand at 140 million pounds compared to 61 million pounds for this week last year. This compares to an average of 47 million pounds for that week during the previous five years. Current prices for bulk butter range from 3 cents under to 1 cent under the market based on the CME with various time frames and averages (includes CCC sales when applicable).

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

	CHEESE				
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
WEEK ENDING		38% MOISTURE			
FEB 15	1.1563	1.0682	0.8103	1.0415	0.1635
	8,546,864	9,861,444	25,824,356	5,063,440	13,484,709

Further data and revisions may be found on the internet at: http://jan.mannlib.cornell.edu/reports/nassr/price/dairy

CHEESE MARKETS

NORTHEAST

Prices are mostly lower and the market tone is weak. At the CME, the 40# block price fell sharply on Friday (2/14) while the price for barrels was relatively steady all last week. Eastern cheese output was mostly steady, but increased Class I milk demand late last week and early this week may cut into the volumes of surplus milk. The major item in the news this week is the blizzard and its effects on most of the urban areas along the East Coast. Product isn't getting into wholesalers and they, in turn, are not able to make deliveries to retail outlets or food service accounts.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2025-1.6975
Cheddar Single Daisies	:	1.1600-1.6250
Cheddar 40# Block	:	1.2775-1.5250
Process 5# Loaf	:	1.2600-1.4575
Process 5# Sliced	:	1.2800-1.5250
Muenster	:	1.3650-1.5700
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is weak. The 6.75 cent decline in the cash block price at the Chicago Mercantile Exchange on February 14 has buyers delaying natural purchases until commercial prices reflect the decline. CME cash cheese prices are about 5 cents below the CCC purchase prices of $1.1314 per pound for blocks and 1.1014 per pound for barrels. Discounts to cash market prices continue, especially on barrels and mozzarella. Current cheese offerings continue to exceed the mostly light, hand to mouth demand. Cutters and processors are having no problem in acquiring needed supplies. Volumes of undergrades are accumulating as buyers use the tougher "buyer's trier". Mozzarella sales are spotty and range from light to fairly good. Limited food service promotions on process items are stimulating some additional sales. In general, few buyers see cheese supplies tightening appreciably until summer. Cheese production is about steady. Fat and protein tests, as well as cheese yields, are seasonal. Many plant operators would rather sell some of their own milk supplies due to sluggish cheese sales than purchase spot fluid supplies.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.2275-1.4900
Brick And/Or Muenster 5#	:	1.5300-1.7000
Cheddar 40# Block	:	1.4500-2.1150
Monterey Jack 10#	:	1.7000-2.1150
Blue 5#	:	1.8925-2.2100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4450-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
02/17/03	77,577	144,413
02/01/03	72,484	140,792
CHANGE	5,093	3,621
% CHANGE	7	3

WEST

Natural items were a couple of cents lower in price following trading at the CME last week. Process and Swiss prices held generally steady. In general, offerings of cheese are heavy and demand is light. Both barrel and block prices are substantially below their respective support prices. With that said, most clearances to CCC are centered on process cheese. The numbers work best for offering process to the government at this time. Buyers, in general, have no interest in buying additional volumes of cheese at this time. They don't see the possibility of any price increases of any magnitude in the short run. All styles and types of cheese are readily available. Cheese production levels are heavier than anticipated and are likely to remain that way through the spring flush. Aging programs are filling rapidly because cheese prices are favorable for holding. Quantities of under grade and off grade cheese are growing. If/when the market does rebound; this cheese will have to clear before much progress can be made. Discounts to get any of this cheese to move are substantial. Warehouse stocks of all types of cheese are growing. The market has a weak undertone.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2000-1.4600
Cheddar 40# Block	:	1.2700-1.4100
Cheddar 10# Cuts	:	1.4500-1.6700
Monterey Jack 10#	:	1.4600-1.6200
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

FOREIGN

Prices are steady to lower and the market tone is weak. This week's blizzard has severely disrupted market activity. Many cities are still digging out and trying to clear the streets. Most distributors are not open and those that are, are not able to make deliveries or receive incoming loads. Retail and food service business was also hampered by the storm.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	NEW YORK	
VARIETY	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-3.3900	1.4975-2.9875*
Gorgonzola	3.2400-5.9400	2.0150-2.4900*
Parmesan (Italy)	TFEWR	2.9075-2.9975*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-5.5000	1.5050-1.7325*
Romano (Cows Milk)	-0-	2.6950-4.8675*
Sardo Romano (Argentine)	2.8500-3.2900	-0-
Reggianito (Argentine)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	2.7500-3.6900	-0-
Swiss Cuts Switzerland	-0-	2.3500-2.5500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam		
2 Pound	TFEWR	-0-
4 Pound	2.1900-2.9900	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby ($/Dozen)		
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	16	0	52	0	47
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, January 2003 uniform prices: Northeast $12.19 Mideast $11.05, Southeast $12.68, Florida $14.18, and Western New York (a state order) $11.67 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During January, milk production in the 20 major states totaled 12.55 billion pounds, up 1.8% from January 2002. The following are the January-to-January changes for selected states: Texas +4.3%, New York +0.7%, Pennsylvania -1.4%, Vermont -1.7%, Florida -3.3%, Virginia -5.4%, and Kentucky -8.3%. The "storm of the decade" blasted most of the Middle Atlantic and New England areas this past weekend. Snowfalls of 2-3 feet were common in Virginia, Pennsylvania, Maryland, New Jersey several New England States. Reports of 4-plus feet were noted in some of the mountain areas of Virginia, Maryland, and Pennsylvania. Roads were closed and there was state-imposed driving bans in a couple states on Monday. Businesses, schools and governments were closed Monday, Tuesday, and Wednesday. Milk plants, depending on location, either received no milk or had a lot of milk diverted to them. Employees could not get to work which affected all levels of the dairy processing market as well as all perishable product markets. Farm pick ups were delayed and many contacts wondered if or how much milk was dumped at the farm level. With all the disruptions to transportation, milk traffic people were working diligently to find trucks to pick up milk and get it to plants in a relatively timely manner. Reports indicate that haulers and plant employees were doing what they could and working long hours to get milk processed and product out to the market. Not only was snow a problem, but many areas got heavy rainfalls and ice storms. Power outages were also widespread. Milk production is hard to report this week, but still seems to be increasing in most of the South. However, cooler weather and the rains did seem to slow output in the Southeast. Manufacturing plants are operating as the milk arrives and receipts were starting to increase as the week progressed and more roads were opened. The condensed skim market was disrupted as deliveries couldn't be made and producers often had to increase drying schedules. The fluid cream market is weak, but without milk getting to butter/powder plants, cream wasn't being made and shipped. Also, buyers/users didn't have employees so they didn't need cream. Few spot sales were noted and that is to be understood. Those sales that were reported did occur at higher prices since the CME average price for butter did increase 1.75 cents last week. Continued heavy clearances to churning facilities were reported. This week, transportation was more of an issue than supply/demand.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, $ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	1.2228-1.3606
Delivered Equivalent Atlanta	-	1.2441-1.3610 M 1.2760-1.2972
F.O.B. Producing Plants: Upper Midwest	-	1.2760-1.4036

PRICES OF CONDENSED SKIM, $ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:

Northeast- Class II - includes monthly formula prices	-	.9000- .9800
Northeast- Class III - spot prices	-	.7200- .8400

M I D W E S T

Class I interest remains somewhat sluggish overall through much of the region. In some areas, the large snow storm late last week generated a temporary retail sales spurt. In others, the Presidents' holiday on Monday (2/17) closed some other schools for a day. Overall, milk supplies remain long and sellers have to work to move spot loads. Since finished products (such as cheese) inventories continue to grow, many plant operators would just as soon sell some of their own milk to help balance supplies. Reported prices, on a very light test ranged from $1.00 – 1.50 over going to a few specialty cheese producers though most unfilled offers were for less than class. Cream supplies are also heavy compared to spot demand and ice cream needs. Condensed skim interest continues uneven. Milk supplies are steady to slightly higher on a week to week basis and generally above year ago levels. Dairy auction listings are increasing as barn mows and silos empty. The initial January milk production in selected Midwestern states compared with January 2002 is: Wisconsin 1.885 billion pounds, up 11 million pounds (0.6%); Minnesota 730 million pounds, down 20 million pounds (-2.7%); Michigan 515 million pounds, up 25 million pounds (5.1 %), and Iowa 330 million pounds, an increase of 9 million pounds (2.8%). For these same states, estimated 2002 annual milk production compared to 2001 was: Wisconsin 22.074 billion pounds, down 125 million pounds (-0.6%); Minnesota 8.458 billion pounds, off 354 million pounds (-4.0%); Michigan 5.945 billion pounds, up 75 million pounds (1.3%); and Iowa 3.804 billion pounds, up 19 million pounds (0.5%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	$ 37.00- 42.00	$ 39.00- 44.00
REPLACEMENT HEIFER CALVES	$300.00-400.00	$530.00-660.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	FEB 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	$ 35.00- 44.75	$ 36.00- 44.00

W E S T

Revised numbers have been released for 2002 U.S. MILK PRODUCTION. Output totals 169.8 billion pounds, an increase of 2.6% from 2001. Cow numbers increased 27,000 head or 0.3% from a year earlier. Production per cow averaged 18,571 pounds, an increase of 412 pounds or 2.3% higher than a year ago. Output percentages for selected Western states compared to 2001 is as follows: Arizona +11.6%, California +5.0%, Colorado +9.6%, Idaho +5.1%, New Mexico +13.6%, Oregon +21.9%, Utah +1.5%, and Washington +1.9%. January 2003 output for the 20 surveyed states is up 1.8% from January 2002. Cow numbers in the five Western states surveyed increased 98,000 head from a year earlier. January output for these five states compared to last year is as follows: Arizona +4.5%, California +5.0%, Idaho +3.8%, New Mexico +6.7%, and Washington +2.8%. The recent rainy conditions in CALIFORNIA have not impacted milk production to any great extent. All parts of the state have now gotten some moisture out of these last storms. Output is still being called heavy with many plants operating on extended operating schedules. Some concern is being expressed about the ability to handle all the milk efficiently during the upcoming spring flush. A new plant coming online this spring should help. New crop hay is just beginning to be harvested in the Imperial Valley. Some of the early cuttings received some rain which did hurt the hay quality. The harvest volume will pick up over the next few weeks. The milk flow in ARIZONA was impacted by the rains of last week. Milk receipts were off for a few days following the heavy showers (in the 2-4 inch range). Output did rebound fairly quickly after conditions improved. Offerings of cream are heavy and ice cream operations are not taking much at this time. Current milk output remains heavy in NEW MEXICO. They have not had much moisture recently. Conditions have been mild with temperatures into the 80's a few times. Producers are concerned about the possibility of another hot, dry summer. Comments were noted that the storms in the Northeast have impacted demand for finished products and slowed delivery schedules. Some additional moisture and colder temperatures were noted in the PACIFIC NORTHWEST. Moisture conditions on the West side are being called fair, but on the east side problems are expected this spring because of the dry conditions. Currently, the milk flow is very heavy for this time of the year. Most plants have more milk than anticipated. Some small storms are crossing UTAH and IDAHO on a more regular cycle. They are relatively warm, but any moisture is welcome. Snow packs in the region are improving, but continue to trail normal conditions. With the dry weather of the last few years, above normal moisture is what is needed to bring things back to normal. Cheese production plants in the region are running heavy, but processing and packaging operations are having some down time due to slow sales activity. Plans are being put together for some strong spring promotions that should increase sales. Heifer prices in the region have declined for the past two weeks and are more in line with prices last summer. Further monitoring will indicate whether this is a short run issue or if it means there will be longer run implications.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a weak market. Interest in condensed skim is lower, encouraging production of NDM. Offerings are in balance to heavy for the light interest. Some spot low heat sales are being made at a premium yet most trades are occurring at or near the average. Inventories are building with some supplies being stored for future contractual shipment. High heat spot movement and production are light. Standard grade supplies are limited for the good interest.
EAST: Prices are steady in the East and the market tone remains relatively weak. This week's snow storm disrupted all levels of the dairy. Road closings and bans on driving early this week delayed or halted farm pick-ups, deliveries to other plants, and end product shipments. Also, the plants that did operate did so with limited staff since employees couldn't get to work. In some areas, roads were still clogged at midweek, but major highways were clear and "things" were slowly getting back to normal. Drying schedules were moderate to heavy depending on how much milk the plants were able to receive. Since condensed skim couldn't be shipped, some produces had to step up their drying time. Demand for NDM is steady. Most buyers had enough powder on hand to carry them through the disruption of deliveries. Offerings to CCC continue and additional plants expect to package in "G" bags in the near future. In light of the increasing gas and diesel fuel costs, fuel surcharges are back. Some contacts state that they never went away and were just increased to reflect the higher fuel costs.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT:	.8000 - .8800	MOSTLY:	.8150 - .8300
HIGH HEAT:	.8600 - .9150		

NONFAT DRY MILK – WEST

Prices range from steady to fractionally lower for low/medium heat powder. Offerings of powder remain heavy, but prices have been more stable over the last few weeks. Some reports of powder being offered below the current price range are noted, but could not be confirmed. Demand has been steady for the last few weeks as buyers have adjusted to the new, lower prices. Offerings to the government price support program continue to be very heavy to clear the surplus production that is available every week. For the week of February 10-14, Western producers offered 13.5 million pounds of powder to the CCC program. Powder was offered from all regions of the country. The Western region has offered just shy of 200 million pounds of powder to the support program since the marketing year started on October 1. This was a 26% increase from a year earlier. High heat NDM price showed a little strength, but that may not be indicative of the market tone. Most manufacturers continue to make high heat only to order. Overall, powder production remains very heavy and is expected to remain that way through the spring flush.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT:	.7950 - .8925	MOSTLY:	.8000 - .8150
HIGH HEAT:	.8275 - .8700		

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 14	$.8019	13,498,937	9,111,370
February 7	$.8016	13,880,845	9,723,149

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged to higher on a steady market. Production is steady to higher in response to active churns at some locations. Condensed buttermilk movement into ice cream facilities is generally steady. Offerings of dry buttermilk are generally light. Brokers are expressing the best interest on a spot basis. Inventories are mostly in balance yet building at some locations.

F.O.B. CENTRAL:	.6950 - .7200

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to lower and the market tone remains weak. Eastern prices are nominal. Production of dry buttermilk is heavy, but volumes processed this week were disrupted by the storm and interruptions to plants' milk and cream intakes. Churning activity was generally heavy as cream supplies are excessive. Once roads were opened, many loads of cream cleared to local and Midwestern butter makers. Eastern producers have more than adequate stocks on hand and many are lowering prices to maintain demand. Buying interest ranges from slow to fair.

F.O.B. NORTHEAST:	.7000 - .7300
DELVD SOUTHEAST:	.7400 - .7650

DRY BUTTERMILK – WEST

Western buttermilk powder prices remained steady this week, but there continues to be a weak undertone to the market. Producers continue to offer powder with little buying interest noted. Stocks are heavier than desired at some producer locations. Production of powder is heavier than anticipated due to heavy churning activity and very little condensed buttermilk sales activity. Contacts note that this is normally a slow time of the year for buttermilk powder sales.

F.O.B. WEST:	.7000 - .7500	MOSTLY:	.7200 - .7400

DRY WHOLE MILK - NATIONAL

Prices and the market tone are mostly steady. However, scattered reports indicate that prices of domestic powder are being influenced by competition from imported dry whole milk. Production levels have been relatively heavy due to the volumes of surplus milk. Producer stocks are light to adequate for the mostly contractual demand. Spot interest noted, but often for LTL or single-load sales.

F.O.B. PRODUCING PLANT:	1.1000 - 1.1500

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2002 THROUGH FEBRUARY 14, 2003
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	42,626 MT (93,973,279 LBS)*
CHEESE	--	1,894 MT (4,175,512 LBS)*

* The second stage of the DEIP allocations is filled.

Allocations for the DEIP year beginning July 1, as announced September 13: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT. However, the second stage of this year's program was announced on November 15 and makes available, as part of the total allocation, an additional 25,576 MT of NDM, 7,912 MT of butterfat, and 1,137 MT of cheese.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to higher on a steady market. Some plants are attempting to resume standard premiums on their offerings. Others are clearing product at the average and calling the market "flat." Production is mostly steady. Inventories are reportedly in balance due to good export activity in the recent past. Spot interest is light. Traders are finding better activity in the West where prices have not settled. Condensed whey remains available at some locations for the fair interest.

F.O.B. CENTRAL: .1550 - .1650 MOSTLY: .1550 - .1600

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices and the market tone are steady. Producers and traders continue to report a lackluster spot market. This week's storm did slow transportation and delivery schedules in the Northeast. By most accounts, the disruption did not impact the market to any great degree, but there were many delays and inconveniences. Production levels were affected by the ability of plants to receive milk and personnel to process the milk. Producer stocks range from sold out to adequate. Some plants that had some problems are getting them corrected and trying to get caught up with their delivery schedules. Others have product to ship should demand start to improve.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1575 - .1800
DELVD SOUTHEAST: .1800 - .1925

DRY WHEY - WEST

Lower prices are again noted for Western whey powder. Sales activity has improved as prices decline, but some buyers now have adequate stocks and they are currently out of the market. Export sales are steady, but additional demand is slow to develop. Domestic orders are steady, but buyers are showing little interest in acquiring additional stocks of powder at this time. Production of powder remains heavy seasonally. Powder inventories had declined over the last few weeks, but some manufacturers are noting that stocks are building again.

NONHYGROSCOPIC: .1350 - .1900 MOSTLY: .1450 - .1675

ANIMAL FEED WHEY - CENTRAL

Prices remain unchanged to higher on milk replacer and unchanged on roller ground. Less milk replacer product is available, encouraging some plants to trade at higher prices. Roller ground movement is unchanged and mostly contractual. Production is steady and inventories are in balance. Early weaned pigs are trading lower and veal interest is light.

F.O.B. CENTRAL:
MILK REPLACER: .1400 - .1500
ROLLER GROUND: .1475 - .1825

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a mostly steady market. Supplies are mixed. Some plants are clearing product at a discount while others are gaining premiums or deferring spot requests due to limited supplies. Canadian WPC 34% is reportedly being offered into some feed facilities. Some domestic producers are shipping spot loads into food facilities in Canada and Mexico. However, most movement is occurring on a contractual basis. A variety of New Zealand WPC is available as a feed substitute to WPC 34%. Domestic WPC 80% supplies are also more notably available into some food facilities as a WPC 34% alternative. Traders are reporting the market as "flat." Offerings are light on steady production schedules.

F.O.B. EXTRA GRADE 34% PROTEIN: .4900 - .5425 MOSTLY: .5100 - .5150

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady to firm market. Inquiries are heavy with requests noted from Asia, the Netherlands and New Zealand. Supplies are very tight on the 100 and 200 mesh sizes. Supplies of the lower mesh product are mostly in balance. Domestic and foreign buyers are attempting to secure contracts for the second quarter. Most producers are not negotiating contracts as prices are anticipated to move higher before the end of the first quarter. Production is mostly steady. Domestic demand is noted into feed and infant formula companies. Costs due to fuel surcharges are being passed to export consumers with great resistance. Some export shipping schedules are being affected by military requisition of ships. Feed grade supplies are light for the good interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1550 - .2350 MOSTLY: .1600 - .1800

CASEIN – NATIONAL

Casein markets remain firm. Prices are unchanged. As in recent weeks, domestic buyers remain concerned about product availability later in the year. At this time, supplies are limited, although most buyers indicate that they are covering their needs. Buyer stocks are low. In instances, they are asking suppliers to ship deliveries earlier than scheduled. Oceania production is seasonally on the down side with European production on the eve of a new production season.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.9000 - 2.1000
ACID: 1.8000 - 1.9500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady, but mixed in storm-affected areas where milk transportation was disrupted. Demand is slow to fair. The Kansas City Commodity office announced the issuance of EVD-1, invitation 750 inviting competitive offers to sell to CCC 4,222,800 pounds of evaporated milk for delivery April - June 2003. Offers are due by 9:00 a.m. CST, February 24, 2003.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES $18.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

JANUARY MILK PRODUCTION

Milk production in the 20 major States during January totaled 12.5 billion pounds, up 1.8 percent from January 2002. December revised production, at 12.3 billion pounds, was up 1.6 percent from December 2001. The December revision represented an increase of 0.6 percent or 70 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,608 pounds for January, 17 pounds above January 2002.

The number of cows on farms in the 20 major States was 7.81 million head, 56,000 head more than January 2002, and 4,000 head more than December 2002.

JANUARY 2003 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2002	2003	2002	2003	2002	2003	% CHANGE FROM 2002
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	140	150	2,085	2,035	292	305	4.5
CA	1,624	1,681	1,745	1,770	2,834	2,975	5.0
FL	152	147	1,410	1,405	214	207	-3.3
ID	380	390	1,750	1,770	665	690	3.8
IL	115	114	1,550	1,580	178	180	1.1
IN	155	146	1,450	1,535	225	224	-0.4
IA	206	207	1,560	1,595	321	330	2.8
KY	123	120	1,170	1,100	144	132	-8.3
MI	297	301	1,650	1,710	490	515	5.1
MN	495	480	1,515	1,520	750	730	-2.7
MO	140	134	1,210	1,240	169	166	-1.8
NM	290	310	1,740	1,740	505	539	6.7
NY	675	680	1,530	1,530	1,033	1,040	0.7
OH	260	260	1,480	1,440	385	374	-2.9
PA	587	590	1,570	1,540	922	909	-1.4
TX	310	311	1,490	1,550	462	482	4.3
VT	154	153	1,510	1,495	233	229	-1.7
VA	120	118	1,390	1,340	167	158	-5.4
WA	247	248	1,880	1,925	464	477	2.8
WI	1,279	1,265	1,465	1,490	1,874	1,885	0.6
20 STATE TOTAL	7,749	7,805	1,591	1,608	12,327	12,547	1.8

1/ Includes dry cows. Excludes heifers not yet fresh.
2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (2-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

ANNUAL MILK COWS AND MILK PRODUCTION, 2001 AND 2002

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2001	2002	2001	2002	2001	2002	CHANGE FROM 2001
	1,000 HEAD		POUNDS		MILLION POUNDS		PERCENT
AL	21	20	14,286	13,850	300	277	-7.7
AK	1.1	1.3	13,055	13,600	14.36	17.68	23.1
AZ	140	146	21,950	23,486	3,073	3,429	11.6
AR	35	32	12,343	12,281	432	393	-9.0
CA	1,589	1,647	20,904	21,180	33,217	34,884	5.0
CO	92	100	21,413	21,590	1,970	2,159	9.6
CT	25	24	18,240	18,625	456	447	-2.0
DE	9.0	9.3	16,667	16,559	150	154	2.7
FL	153	150	15,758	15,547	2,411	2,332	-3.3
GA	86	85	16,663	17,294	1,433	1,470	2.6
HI	7.5	6.6	14,107	14,667	105.8	96.8	-8.5
ID	366	388	21,194	21,018	7,757	8,155	5.1
IL	116	115	17,414	17,835	2,020	2,051	1.5
IN	153	150	16,778	17,340	2,567	2,601	1.3
IA	210	209	18,024	18,201	3,785	3,804	0.5
KS	93	103	17,312	19,515	1,610	2,010	24.8
KY	128	122	12,969	13,230	1,660	1,614	-2.8
LA	54	50	11,704	11,620	632	581	-8.1
ME	38	37	17,211	17,730	654	656	0.3
MD	82	81	15,780	16,383	1,294	1,327	2.6
MA	21	21	17,000	17,190	357	361	1.1
MI	303	299	19,373	19,883	5,870	5,945	1.3
MN	510	487	17,278	17,368	8,812	8,458	-4.0
MS	35	34	14,200	14,059	497	478	-3.8
MO	145	137	13,441	14,204	1,949	1,946	-0.2
MT	19	18	18,211	18,944	346	341	-1.4
NE	72	67	16,194	17,463	1,166	1,170	0.3
NV	25	25	19,400	19,400	485	485	---
NH	18	18	17,889	18,222	322	328	1.9
NJ	14	13	16,643	18,154	233	236	1.3
NM	268	299	20,750	21,124	5,561	6,316	13.6
NY	672	678	17,530	18,019	11,780	12,217	3.7
NC	67	64	17,224	17,766	1,154	1,137	-1.5
ND	46	40	14,000	14,625	644	585	-9.2
OH	260	262	16,519	17,080	4,295	4,475	4.2
OK	89	88	14,528	14,705	1,293	1,294	0.1
OR	95	114	18,074	18,360	1,717	2,093	21.9
PA	599	585	18,112	18,419	10,849	10,775	-0.7
RI	1.4	1.4	16,571	16,357	23.2	22.9	-1.3
SC	21	20	17,476	18,200	367	364	-0.8
SD	99	96	15,960	14,625	1,580	1,404	-11.1
TN	92	88	14,511	14,943	1,335	1,315	-1.5
TX	325	309	15,711	17,152	5,106	5,300	3.8
UT	93	93	17,581	17,839	1,635	1,659	1.5
VT	153	154	17,444	17,552	2,669	2,703	1.3
VA	118	120	15,975	15,758	1,885	1,891	0.3
WA	247	247	22,324	22,753	5,514	5,620	1.9
WV	16	16	15,563	15,188	249	243	-2.4
WI	1,292	1,271	17,182	17,367	22,199	22,074	-0.6
WY	4.5	4.4	14,000	14,409	63.0	63.4	0.6
U.S. 3/	9,114	9,141	18,159	18,571	165,497	169,758	2.6

1/ Average number during year, excluding heifers not yet fresh. 2/ Excludes milk sucked by calves. 3/ Will not add due to rounding.
SOURCE: "Milk Production," Da 1-1 (2-03), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 2000 TO 2002
(THOUSAND HEAD)

2000			2001			2002		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 1	89.9	44.3	Jan 6	108.1	55.3	Jan 5	101.2	47.4
8	115.7	57.7	13	134.0	65.6	12	129.3	59.5
15	115.5	56.8	20	117.2	57.7	19	120.6	56.1
22	111.1	52.9	27	115.4	57.8	26	107.3	51.2
29	104.6	51.2	Feb 3	112.5	57.0	Feb 2	102.9	50.3
Feb 5	102.5	51.9	10	110.1	55.1	9	102.3	49.7
12	107.2	54.0	17	110.7	54.5	16	104.9	51.4
19	103.8	51.5	24	111.4	54.2	23	104.8	49.3
26	102.8	53.7	Mar 3	110.3	55.7	Mar 2	97.2	48.0
Mar 4	101.8	55.6	10	111.5	55.7	9	98.5	50.1
11	102.2	55.1	17	110.8	55.3	16	107.5	48.4
18	99.5	53.9	24	109.7	54.6	23	104.2	48.6
25	101.7	54.6	31	109.6	52.8	30	100.7	46.4
Apr 1	100.0	52.3	Apr 7	102.2	50.8	Apr 6	99.2	47.8
8	97.5	48.8	14	94.9	47.0	13	104.6	48.0
15	99.3	48.8	21	102.6	47.7	20	103.7	48.1
22	97.9	47.8	28	110.7	49.3	27	101.7	46.1
29	98.1	46.7	May 5	107.9	47.1	May 4	98.4	46.3
May 6	101.3	47.2	12	106.5	47.2	11	98.9	44.4
13	103.1	46.8	19	105.8	44.8	18	104.0	44.5
20	104.0	46.5	26	109.6	46.3	25	108.7	47.1
27	108.3	47.7	Jun 2	95.1	41.3	Jun 1	91.8	39.4
Jun 3	90.7	41.3	9	107.1	46.1	8	108.1	46.1
10	105.0	46.4	16	97.4	41.7	15	104.3	46.1
17	101.6	45.2	23	99.0	41.8	22	109.6	46.6
24	102.8	47.3	30	109.7	45.8	29	110.5	48.0
Jul 1	104.7	47.4	Jul 7	88.6	37.5	Jul 6	87.9	39.1
8	75.4	37.0	14	104.1	47.4	13	107.4	49.4
15	103.7	48.6	21	105.6	45.6	20	108.9	49.8
22	99.1	48.1	28	100.3	41.8	27	105.7	47.6
29	92.0	45.9	Aug 4	101.2	42.4	Aug 3	105.7	48.4
Aug 5	93.8	46.1	11	98.2	43.4	10	101.8	46.8
12	92.8	45.8	18	106.4	46.7	17	106.4	48.7
19	95.3	46.2	25	110.6	48.9	24	110.6	50.2
26	103.4	50.4	Sep 1	107.4	47.4	31	113.8	53.8
Sep 2	108.7	52.1	8	91.5	43.3	Sep 7	99.7	47.8
9	89.6	45.4	15	105.4	47.4	14	110.3	51.8
16	106.9	50.5	22	108.0	47.3	21	112.2	53.7
23	107.8	51.0	29	112.4	50.3	28	115.1	54.6
30	107.1	54.2	Oct 6	111.7	49.3	Oct 5	114.6	52.5
Oct 7	109.5	52.1	13	112.1	48.8	12	115.3	53.3
14	108.5	51.5	20	116.8	50.3	19	116.7	51.8
21	116.8	55.4	27	125.7	52.5	26	123.3	54.1
28	118.2	54.1	Nov 3	125.3	51.2	Nov 2	125.7	56.2
Nov 4	118.6	54.9	10	126.5	53.7	9	121.7	57.1
11	117.8	56.4	17	124.3	53.7	16	124.2	55.7
18	120.9	57.2	24	96.9	42.0	23	124.9	55.5
25	99.8	47.7	Dec 1	120.0	54.9	30	101.1	46.4
Dec 2	126.9	60.6	8	122.9	55.8	Dec 7	122.2	58.3
9	125.2	59.5	15	116.3	53.6	14	124.4	58.4
16	108.5	52.5	22	116.7	52.9	21	119.8	58.0
23	108.4	53.6	29	82.0	37.9	28	83.7	38.9
30	88.6	45.1						

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service and the National Agricultural Statistics Service, all of USDA.

THE DAIRY SITUATION AND OUTLOOK

Dairy Heifer Markets Ease - The worst of the recent replacement heifer shortage appears to be over. During 2001-2002, very strong demand for heifers to fill new barns generated soaring prices for replacement heifers, despite historically large heifer supplies. These short-run pressures, on top of long-run trends increasing demand for heifers, dried up heifer availability enough to significantly affect milk cow numbers. Milk per cow was weakened by abnormal culling just to keep barns full. By the end of 2002, slowing pressure for dairy farm expansions, and growth in heifer supplies had restored more normal conditions in heifer markets. However, similar periods are likely periodically until management practices fully adjust to higher long-run heifer prices**.**

On January 1, 2003, farmers held 4.1 million dairy replacement heifers, up about 1 percent from the previous 2 years. The number of replacements per 100 milk cows was a record 44.8. A ratio of only about 41 heifers was adequate to expand the milk cow herd without strain 20 years earlier, and there were still only about 43 heifers per 100 cows a decade ago. Possibly most important was the relatively large number of heifers intended to enter the milking herd during the year, up 1 percent from a year earlier and 5 percent from 2001.

The increase in dairy replacements is at least partially a response to the very high heifer prices of recent years. The annual average price of milk cow replacements set a record every year during 1999-2002. Although farmers were already attempting to raise almost all of the potential replacement heifers, these strong prices created extra incentive to reduce death loss and health problems leading to culling. Also, the strong markets encouraged additional attention to heifer nutrition and care to ensure that they came into the herd on schedule. Although these management adjustments had very small individual effects, they collectively led to a significant expansion of the heifer herd.

By mid-2001, the generally strong returns to milk production during 1998-2001 were making many of the stronger dairy farmers anxious to build new operations and bring them into production. These expansions put severe pressure on heifer supplies and prices. Replacement cow prices reached an average of around $1,700 in late 2001-early 2002, up almost a fourth from any time previous to 2001. By the time heifer prices peaked, milk prices were already dropping sharply. However, heifer prices continued to be supported by the need for heifers to stock those expansions still coming into production, to fill the earlier expansions not yet up to capacity, and to replace cows that normally would have been culled earlier.

In January 2003, replacement cow prices were back to levels similar to those of 1999 or 2000. Replacement prices may ease further in coming months. The larger number of heifers may be joined by larger supplies of older replacements, if the rate of dairy farm exits creeps up as expected. In addition, the number of new facilities coming into production should be slowing. However, prices are not likely to decline to the levels of most of the 1990s, forestalled by the long-run trend increase in the number of heifers needed under current management practices.

Changes in the heifer market provide mixed signals for 2003 milk production. Easing in heifer markets imply that heifer availability is no longer a major limitation to individual farm expansions. Expansions can come into operation quicker and more fully, having a more immediate impact on total milk cow numbers. On the other hand, the portion of the heifer price decline that comes from weaker demand for replacements indicates that dairy farm expansions may finally be slowing, and that lower milk prices may be starting to restrain milk production.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-104, February 18, 2003, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JANUARY

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for January have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During January, about 10.8 billion pounds of milk were received from producers. This volume of milk is 0.5 percent lower than the January 2002 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +0.7 percent.) About 4.1 billion pounds of producer milk were used in Class I products, 1.3 percent higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2003 as compared to 2002. The all-market average Class utilization percentages were; Class I = 38%, Class II = 9%, Class III = 44%, and Class IV = 9%. The weighted average statistical uniform price was $11.39 per cwt., $0.02 lower than last month, and $1.79 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JANUARY 2003

FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			$ PER CWT.
Northeast (Boston)	001	2,058.2	-6.7	932.0	0.8	45	17	29	9	12.19
Appalachian (Charlotte)	005	578.5	-3.1	413.0	1.7	71	12	9	8	12.94
Southeast (Atlanta)	007	664.0	-10.9	426.9	-1.2	64	8	20	8	12.68
Florida (Tampa)	006	256.0	5.3	227.7	3.7	89	7	2	2	14.18
Mideast (Cleveland)	033 3/	1,462.9	2.6	596.4	3.2	41	11	44	4	11.05
Upper Midwest (Chicago)	030 3/	1,845.8	-5.1	362.4	-0.5	20	2	76	2	10.36
Central (Kansas City)	032 3/	1,677.0	10.6	437.2	1.0	26	6	63	5	10.67
Southwest (Dallas)	126 3/	838.6	5.6	371.6	1.7	44	9	29	18	11.88
Arizona-Las Vegas (Phoenix)	131	272.3	4.3	88.1	4.1	32	4	28	36	10.97
Western (Salt Lake City)	135 3/	507.8	6.5	95.2	5.5	19	5	61	15	10.49
Pacific Northwest (Seattle)	124	620.2	-1.3	188.9	1.1	30	6	32	32	10.76
ALL MARKET AVERAGE OR TOTAL	3/	10,781.3	-0.5	4,139.2	1.3	38	9	44	9	11.39

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 225 million pounds of milk that normally would have been associated with these markets. In January 2002, the estimated not-pooled volume of milk was 85 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +0.7.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 17 – 21, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 02/14/03	SAME PERIOD LAST YEAR
BUTTER							
Bulk	380,780	-0-	380,780	1,396,235	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	380,780	-0-	380,780	1,396,235	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	343,714	-0-	-0-	-0-
Barrel	43,527	-0-	43,527	381,082	-0-	-0-	-0-
Process	356,400	-0-	356,400	7,682,400	-0-	-0-	-0-
TOTAL	399,927	-0-	399,927	8,407,196	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	17,298,324	1,313,917	15,984,407	224,174,558	175,783,544	1,039,379,000	753,020,000
Fortified	-0-	-0-	-0-	-0-	-0-	46,391,000	38,227,000
TOTAL	17,298,324	1,313,917	15,984,407	224,174,558	175,783,544	1,085,770,000	791,247,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 17 - 21, 2003 =	15.5	190.1	COMPARABLE PERIOD IN 2002 =	2.1	111.6
CUMULATIVE SINCE OCTOBER 1, 2002 =	157.4	2,692.8	CUMULATIVE SAME PERIOD LAST YEAR =	38.7	2,046.1
CUMULATIVE JANUARY 1 – FEBRUARY 21, 2003 =	83.2	1,427.2	COMPARABLE CALENDAR YEAR 2002 =	21.7	1,150.2

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF FEBRUARY 17 - 21, 2003 (POUNDS)

	BUTTER		CHEESE				NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	356,400	-0-	-0-
WEST	380,780	-0-	-0-	-0-	43,527	-0-	14,959,324	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	1,025,083	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL	-0-	-0-	7,682,400	-0-	4,985,012	5,373,350	45.7	3.1
WEST	1,396,235	-0-	724,796	-0-	214,493,375	166,215,679	53.6	94.5
EAST	-0-	-0-	-0-	-0-	4,696,171	4,194,515	0.7	2.4
TOTAL	1,396,235	-0-	8,407,196	-0-	224,174,558	175,783,544	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - $9.90 per cwt.

BUTTER Bulk $1.0500 per pound; 1# Prints $1.0850
CHEESE 40 & 60# Blocks $1.1314 per pound; 500# Barrels $1.1014; Process American 5# $1.1889; Process Am. 2# $1.2289
NONFAT DRY MILK Nonfortified $.8000 per pound; Fortified $.8100; Instant $0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 02/01/03 & Comparable Week 2002

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL WEEK	U.S. TOTAL SINCE JAN 1	% DAIRY OF ALL WEEK	% DAIRY OF ALL SINCE JAN 1
2003-Dairy	0.2	0.8	7.2	4.8	21.1	2.9	0.5	0.8	14.1	2.8	55.0	289.9	48.1	48.8
2002-Dairy	0.2	0.7	5.9	5.0	18.7	2.4	0.5	0.9	13.4	2.7	50.4	264.6	48.9	47.1
2003-All cows	0.2	1.0	9.6	13.7	33.2	15.4	15.0	3.3	15.8	7.1	114.3	593.8		
2002-All cows	0.2	0.8	7.9	12.7	29.0	13.3	15.0	3.4	15.2	5.6	103.0	561.4		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES,(3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23										
II	11.29											
III	9.78											
IV	10.07											

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmos/mib/cls_prod_cmp_pr.htm